

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**SB 815 – HB 1014**

March 18, 2013

**SUMMARY OF ORIGINAL BILL:** Increases, from 10 calendar days to 10 business days, the time period for which an alcoholic beverage wholesaler may extend credit.

FISCAL IMPACT OF ORIGINAL BILL:

NOT SIGNIFICANT

**SUMMARY OF AMENDMENT (004331):** Deletes all language after the enacting clause. Adds a new class of limited service restaurant license for restaurants with 0 – 15 percent of total sales consisting of food sales. Establishes the licensing fee at \$5,000.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Increase State Revenue - \$315,000/FY13-14/ABC Fund**  
**\$432,500/FY14-15 and Subsequent Years/ABC Fund**


Assumptions for the bill as amended:

- There are approximately 100 limited service restaurants currently licensed as having foods sales representing between 15 and 20 percent of total sales.
- Approximately 50 percent of these entities, or 50 restaurants, are assumed to have annual food sales below the minimum 15 percent threshold. As a result, these establishments will be licensed under the new limited service restaurant license proposed by this bill.
- The price of the new license is \$5,000 per year. The price of the current license, for entities with 15 to 20 percent of total sales consisting of food sales, is \$4,000 per year. The recurring increase in state revenue to the Alcoholic Beverage Commission (ABC) Fund is estimated to be \$50,000 [50 licensees x (\$5,000 new license rate - \$4,000 old license rate)].
- Fifty new establishments will become licensed in FY13-14 that would not have been licensed in the absence of the bill. As a result, there will be a recurring increase in state revenue estimated to be \$250,000 (50 new licensees x \$5,000 license fee) to the ABC Fund.

- The one-time application fee for these new licensees is \$300. The one-time increase in state revenue to the ABC Fund attributable to application fees for FY13-14 is estimated to be \$15,000 (\$300 application fee x 50 new licensees).
- The total increase in state revenue to the ABC Fund in FY13-14 is estimated to be \$315,000 (\$50,000 + \$250,000 + \$15,000).
- Minimum of 25 five new applicants each year beginning in FY14-15.
- The recurring increase in state revenue to the ABC Fund for FY14-15 and subsequent years is estimated to exceed \$432,500  $\{[(\$5,000 \times 25) + (\$300 \times 25) \text{ for FY14-15 new entrants}] + [(\$250,000 + \$50,000) \text{ new recurring revenue from FY13-14}]\}$ .
- Any increase in administrative expenditures associated with the creation of the new license is estimated to be not significant.
- The ABC also indicates that agents spend a significant amount of time conducting audits to determine the ratio of sales for such entities. Passage of this bill is estimated to allow these agents a significant amount of time to focus on investigation of other types of violations. Any increase in revenue resulting from investigations is estimated to be not significant.

## **CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Lucian D. Geise, Executive Director

/cce